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SUBJECT: CORPORATE SOCIAL RESPONSIBILITY IN COLOMBIA

Summary

1. Leading companies are implementing strategically-focused corporate social responsibility programs in Colombia. Each year, private companies donate millions of dollars to fund education, health, and recreational initiatives throughout the country. The private sector is also providing management consultancy services to civil-society organizations and is leading efforts to raise and channel international donations to support Colombian development organizations. Many Colombian companies also provide a variety of employee benefits and social services -- including housing subsidies -- through innovative cost-sharing programs. Although the long-term impact of such programs in Colombia has not been rigorously analyzed, top Colombian companies are demonstrating significant potential to promote and support the country's most critical development needs. End summary.

2. The Catholic Church has greatly influenced the development of philanthropy in Colombia. Corporate foundations support social, economic, and humanitarian assistance efforts nationwide. Prominent young Colombian professionals and entrepreneurs are spearheading creative and high-impact initiatives. This new generation of business and social leaders is developing a culture of corporate social responsibility within Colombia's private sector and involving their own companies.

Profile of Corporate Foundations

3. Over the past three years, the Colombian private sector has increasingly realized its stake in improving socio-economic conditions. In 2002, Colombian companies donated at least 140 billion Colombian pesos (CPS) (approximately USD 52 million) to various social development initiatives. The most recent records indicate that in 1997 there were 94 corporate foundations formally operating in Colombia, with assets approximating one billion dollars, equivalent to 1 percent of Colombia's GDP and 5 percent of total public sector expenditures. Since then, several new corporate foundations have been created and we expect this trend to continue.

4. Some foundations leverage third party resources, mostly using donations and matching grants from international foundations (primarily from the U.S.). Several prominent corporate foundations, such as Corona and Carvajal, are actively involved in supporting institutional development and strengthening through management consulting and other services. This type of assistance is provided directly through specialized NGOs such as "Corporacin Calidad," "Corpoeducacion," "Gestion Hospitalaria," and "Compartamos Con Colombia," among others.

CSR Investment Mechanisms and Targets

5. According to a recent study of the top fifty companies in Colombia carried out by Compartamos Con Colombia (CCC), 52 percent of the companies it surveyed make direct donations, 28 percent contribute to corporate foundations, and a small number have grant programs. The CCC study demonstrates a focus on education, employment generation, and health, followed by sports, cultural activities, and other forms of recreation. Smaller contributions are earmarked to promote civic values. Additionally, the private sector is supporting micro-businesses and small enterprises in Colombia through micro-credit and direct investments. Twenty-six companies in CCC's sample include micro-enterprise development as part of their CSR strategies, and most support small business ventures in marginal and underserved areas. Companies that operate production facilities, however, generally concentrate their activities in nearby communities.

"Cajas de Compensacion Familiar"

6. Many Colombian companies make sizeable contributions to social programs through family subsidy and benefit compensation entities, or "Cajas de Compensacion Familiar" (CCFs). Unique to Colombia, the 54 Cajas are key players in the implementation of

wide-ranging social programs that directly benefit almost 10 million Colombians, or 23 percent of Colombia's total population. Obligatory employee payroll contributions channeled through affiliated private sector companies fund the Cajas. This "forced" contribution by employees through CCFs constitutes a critical delivery channel for a broad range of social programs.

17. The number of affiliated companies has grown 18 percent since 1994, helping to increase the resources available to undertake critical social programs. As a result, there is a sizeable increase in the number of affiliated workers and family members eligible for the social services that CCFs provide. The total number of affiliated persons increased from 8,641,384 in 1994 to 9,846,031 in 2003.

18. Taken as a whole, 83,676 private sector companies are currently affiliated with the 54 Cajas, which are financed by means of a 4 percent payroll tax and paid by these companies. As a result, the CCFs enjoy a sizeable budget which they invest in a variety of social programs. In 2003, CCF expenditures reached CPS 1.4 trillion (approximately USD 519 million), and for 2004 the proposed budget is CPS 1.5 trillion (approximately USD 555 million). CCF programs cover education, health, housing, tourism, and recreation, as well as unemployment and housing loans. The subsidies provided through the CCFs are divided into two main categories:

-- Monetary subsidies, in which the CCFs typically spend CPS 511.4 billion (approximately USD 189 million) benefiting an estimated three million members; and

-- Housing subsidies, in which the CCFs typically spend CPS 158.2 billion pesos (approximately USD 59 million), benefiting some 25,000 member families annually.

In 2004, housing subsidies are expected to increase to CPS 170 billion (approximately USD 62 million), and will benefit 34,200 members.

19. The CCFs operate 31 percent of Colombia's health system. In 2003, these entities operated 224 health centers, including basic health clinics, hospitals, dental centers, and comprehensive medical service units.

----- Leading Companies -----

10. According to CCC, the 20 leading private sector Colombian companies with advanced social responsibility practices are: BellSouth (now owned by Telefonica of Spain), El Tiempo, Bavaria, Corona, Carvajal, Hocol (a petroleum producer), Promigas, Almacenes Exito, Sociedad Portuaria De Buenaventura, Ingenio Riopaila, Emgesa, Grupo Mac, Smurfit Carton De Colombia, Noel, Empresa De Energia De Bogota, Carbones Del Cerrejon, Isa, Coomeva, Colsubsidio, and Indupalma.

11. Leading Colombian companies increasingly create local development organizations in which a large number of national and international companies unite to support a specific social cause or goal, in contrast with more traditional models in which companies work independently and in an oftentimes paternalistic manner. For example, the recently created "Empresarios por la Educacion" (Entrepreneurs for Education) foundation resulted from the combined efforts of more than 60 companies working in alliance to improve educational standards in Colombia. Regionally focused activities include marketing, internet-based fundraising and business consulting services focused on NGOs and foundations.

----- General Conclusions -----

12. Colombia has a long tradition of corporate giving and is a leader in this area in the Andean region. While they are not yet a common business practice and not widely integrated into corporate strategies and values, more companies are beginning to develop community-oriented policies and programs. Additionally, very few companies currently measure the results and impact of their strategic and targeted social and economic investments as well as charitable contributions, making evaluation difficult and inadequate information systems often limit the efficacy of the evaluations that are undertaken.

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